

## Message Text

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INFO OCT-01 ISO-00 /006 R

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DRAFTED BY AF/W:JKBISHOP:JS

APPROVED BY AF/W:JLLOUGHRAN

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FM SECSTATE WASHDC

TO AMEMBASSY LOME

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FOL TEL SENT ACTION SECSTATE USDOC FM NOUAKCHOTT

NOV 09 REPEATED FOR YOUR ACTION

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PASS EXIM

E.O. 11652: N/A

TAGS: BSID, BPRO, MR

SUBJ: LANG SUGAR REFINERY CONTRACT

REF: NOUAKCHOTT 1052, 1058, 880, STATE 202241

SUMMARY: SIX MONTHS AFTER MAY 4 CONSTRUCTION CONTRACT SIGNING, LANG SUGAR REFINERY PROJECT IS GOING NOWHERE. LANG IS NOW INSISTING ON MAJOR CHANGES IN CONSTRUCTION CONTRACT AND THE TWO SIDES ARE STILL FAR FROM AGREEMENT ON MANAGEMENT CONTRACT. MINISTER OF INDUSTRIALIZATION SIDI HAS AGREED MEET LANG PRESIDENT ROBERT TEMPLE AT LOME TO DISCUSS NEW PRO-POSALS. IF MEETING NOT SUCCESSFUL, SIDI SAYS HE WILL SEEK ARBITRATION FOR RETURN GIRM DOWN PAYMENT ON CONSTRUCTION CONTRACT. EMBASSY IS PRESENTLY STAYING OFF FIRING LINE, LIMITING ITS EFFORTS TO FACILITATION CONTACTS BETWEEN

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GIRM AND LANG.

1. HAVING CANCELLED PLANNED SEPTEMBER AND OCTOBER VISITS TO NOUAKCHOTT, LANG PRESIDENT TEMPLE WILL MEET SIDI NOVEMBER 11 IN LOME, WHERE BOTH PARTIES' TRAVEL ITINERARIES CROSS. IN PREPARATION FOR "SUMMIT" MEETING, TEMPLE THIS WEEK MAILED BRIEF OUTLINE HIS DEMANDS FOR SIDI'S STUDY. WE HAVE NOT SEEN OUTLINE, BUT UNDERSTAND IT CALLS FOR RENEGOTIATION RONSSTRUCTION CONTRACT LEAVING GIRM WITH OPEN-ENDED COMMITMENT ABSORB LOCAL COSTS AND FOR REMOVAL TIGHT PENALTIES FOR LANG NON-PERFORMANCE. LANG WOULD REPORTEDLY AGREE ON FIXED PRICES ONLY FOR ENGINEERING WORK AND US-MADE EQUIPMENT.

2. FYI. ABOVE REPORT ON LANG PROPOSALS FROM LOCAL ENTREPRENEUR AND LANG REPRESENTATIVE, TO WHOM SIDI READ PARTS TEMPLE LETTER. SOURCE REPORTS SIDI'S INITIAL REACTION AS ONE OF DISAPPOINTMENT. SINCE NEW PROPOSAL PROVIDED FOR LESS THAN ORIGINAL TURN-KEY CONTRACT MINISTER COMMENTED HE WOULD BE OBLIGED INVOKE CONTRACT ARBITRATION CLAUSE IF COMPROMISE NOT FOUND. END FYI.

3. COMMENT: DURING CONSTRUCTION NEGOTIATIONS AND SUBSEQUENT TALKS RE MANAGEMENT CONTRACT, LANG HAS ACCUSED GIRM OF FOOD-DRAGGING. LANG IS NOW OPEN TO SAME ACCUSATION. ITS REPS HAVE AVOIDED NOUAKCHOTT FOR PAST 2 1/2 MONTHS. LANG OFFICERS HAVE VISITED NOUAKCHOTT ONLY TWICE SINCE MAY AND THEIR VISITS MAINLY CONSISTED OF ABORTIVE PALAVER OVER MANAGEMENT CONTRACT. BECAUSE OF LACK OF CLARITY LANG'S INTENTIONS, EMBASSY CONTINUES MAINTAIN HANDS-OFF ATTITUDE TOWARD CONTRACT HASSLE.

4. MEANWHILE, THE CLOCK HAS CONTINUED TO RUN. ORIGINAL CONTRACT CALLS FOR STIFF PENALTIES IF REFINERY NOT COMPLETED AND IN OPERATION WITHIN 24 MONTHS FROM SIGNING DATE, MAY 4. GIRM HAS ALREADY MADE FIRST MILLION DOLLAR PLUS PAYMENT TO LANG AS CALLED FOR IN CONTRACT. OTHER PAYMENTS ARE NOW DUE. WITH PRESIDENT AND COUNCIL OF MINISTERS ASKING HARD QUESTIONS, SIDI MUST FISH OR CUT BAIT. DEADLINE FOR SOME POSITIVE ACTION WOULD APPEAR TO BE LAST WEEK NOVEMBER, I.E. PRIOR TO NOVEMBER 28 INDEPENDENCE DAY CELEBRATION WHEN PRESIDENT REPORTS LIMITED OFFICIAL USE

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TO PEOPLE ON YEAR'S ACCOMPLISHMENTS. IT SEEMS TO US UNLIKELY THAT SIDI AT THIS STAGE WANTS TO DROP LANG. RATHER, HE WILL PROBABLY SEEK REASONABLE COMPROMISE. WE HERE CAN ONLY HOPE LANG/ISC SHARE WHAT WE SEE AS STILL POSITIVE GIRM ATTITUDE. DECON 30 JUNE 1974.  
MURPHY

UNQTE

CASEY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE224462  
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**Document Unique ID:** 00  
**Drafter:** JKBISHOP:JS  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ORIGIN AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** NOUAKCHOTT 1052, 1058, 880, STATE 20, 2241  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14-Jan-2002 by willialc>; APPROVED <07 MAR 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LANG SUGAR REFINERY CONTRACT  
**TAGS:** BPRO, MR  
**To:** LOME  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005